



## **I. Introduction**

### **A. Purpose**

The mission of the Department of Real Estate (DRE) is to protect the public in real estate transactions and provide related services to the real estate industry. DRE protects the public interest regarding the offering of subdivided lands and handling of real estate transactions by more than 344,000 DRE-authorized licensees. DRE establishes a standard of knowledge, measured by written examination, for licensing real estate agents and sets minimum affirmative disclosure requirements for approving subdivided lands offerings.

### **B. Activities**

1. ***Licensing.*** If a person wishes to engage in the real estate business and to act in the capacity of, advertise, or assume to act as a real estate broker or real estate salesperson within the State of California, a real estate license must first be obtained from the DRE. Currently, there are more than 344,000 real estate licensees in California.
2. ***Enforcement and Audits.*** DRE's Enforcement and Audit Sections open investigations based on written complaints received from the public alleging possible violations of the Real Estate Law or the Subdivided Lands Law by licensees or subdividers. If a violation is proven, DRE is authorized to take formal disciplinary action. DRE will refer matters to law enforcement authorities if an investigation reveals criminal activity. The primary focus of DRE audits is to protect consumers from mishandling of trust funds by licensees and subdividers. DRE currently has 23 field auditors located in Sacramento, Oakland, Fresno, Los Angeles and San Diego.
3. ***Mortgage Loan Activities.*** DRE monitors certain activities of real estate licensees doing business as mortgage brokers to ensure they comply with the Real Estate Law. The DRE's Mortgage Loan Unit consists of one deputy and a manager who are assigned to the DRE's Sacramento office. An estimated 8,000 to 10,000 of the State's approximately 113,000 licensed real estate brokers are active in the mortgage brokering field.
4. ***Subdivisions.*** DRE's enforcement of subdivision laws help ensure subdividers deliver to buyers what was agreed at the time of sale. These laws cover most standard subdivisions and various types of common interest developments (*i.e.*, 5 or more lots or units), timeshares, certain undivided interest developments, and out-of-state timeshare subdivisions offered for sale in California. Before real property that has been subdivided can be marketed in California, the subdivider must obtain a public report from the DRE, which report discloses to prospective buyers pertinent information about the subdivision. DRE's



Subdivisions Program consists of two offices: Subs North, with 20 employees in Sacramento, and Subs South, with 29 employees in Los Angeles.

5. ***Education and Research.*** A portion of the licensing fees DRE collects is used for the advancement of real estate education (*e.g.*, development of college level real estate courses, establishment of professorships in Real Estate and Land Economics at Berkeley and UCLA, student scholarships, production of educational videos for renters and homebuyers).
6. ***Publications.*** DRE offers consumer protection guides, handbooks and other reference materials in print and on the DRE website. DRE's maintains a 3-person staff in its Sacramento office that is responsible for organizing and directing DRE's legislative activities, printing and disseminating DRE press releases, publications, policy changes and maintaining DRE's website.
7. ***Recovery Account.*** The Recovery Account, funded from a portion of the fees paid by DRE licensees, enables qualifying persons who have been defrauded or had trust funds converted by a real estate licensee in a transaction requiring that license to recover at least some of their actual and direct losses up to a statutory maximum (\$20,000 per transaction and \$100,000 per licensee) when the licensee has insufficient personal assets to pay for that loss. A senior DRE attorney, with the assistance of the Chief Legal Officer, a paralegal and legal clerk, manages the Real Estate Recovery Account Program. Decisions to deny or pay a claim are filed in court, where DRE is represented by the Attorney General's office.

## **II. Program Metrics**

In connection with the Performance Improvement Initiative, the Department lists 8 metrics in four major programs:

### **A. Licensing and Examinations**

1. Length of time for examination scheduling and administration exam grading and notification – the Department has a goal of four weeks for the exam process, but does not provide data on its performance. It does list the number of exam applications, which ranged from a low of 27,120 in 1997/98 to a high of 104,171 in 2001/02.



2. Length of time to issue license authorizing licensee to conduct business – in 1993/94, the Department was able to maintain an original license processing timeframe of 8-10 weeks; in 2001/02, the timeframe grew to 4 months and, due to the increased volume of requests, the timeframe is expected to increase to 6 months during 2003/04.
3. Length of time to service existing licensees as to status and information – the Department has a goal of four weeks for its performance, but does not provide performance data. The number of renewal licenses issued fluctuated, with a high of 65,069 in 2001/02 and a low of 37,251 in 2002/03.
4. Length of time it takes for online services for licensees to maintain current license status and information – the Department has a goal of 5 minutes, but provides no data on its performance. The number of renewals using eLicensing rose from 8,098 in 2002/03 to 8,231 during the first six months of the current fiscal year.

## **B. Subdivisions**

1. On average, the goal is to complete the phases of review identified by statute in 50 percent less of the time allowed – for the most part, since 2000, these have not been met except for in the area of “qualify application for review.” In all other areas, processing and issuance time has averaged below the number of days mandated by statute, but at 20 to 40 percent less than the mandated timeframes.

## **C. Enforcement**

1. The goal is a minimum 10 percent reduction in the ratio of cases over six months of the total inventory – the percent of cases in 1994 was slightly over 50 percent and decreased steadily through 1998 to slightly over 30 percent. Since 1998, it has fluctuated between 30 percent and 40 percent. In 2003, it was slightly more than 40 percent.
2. The goal is a minimum 10 percent reduction in the ratio of cases over 12 months of the total inventory – the percent of cases in 1994 was over 25 percent and decreased until 1998, when it was less than 5 percent. From 1999-2002, the percentage stayed fairly stable at about 7 percent, then increased in 2003 to approximately 12 percent.



#### **D. Information Technology**

1. The goal is to provide information technology solutions to support the business objectives – the metric varies with the project scope and deliverable. Inclusion of the licensing master file information into the Enterprise Information System has reduced time required by staff to validate a transaction by signature from a minimum of ten working days to 5 minutes. Also, all seven types of eLicensing transactions have increased in number from the last fiscal year to the first six months of 2003/04, with a total of 28,082 transactions during the first six months of this fiscal year.

### **III. Benchmarking**

#### **A. Licensing and Examinations**

Comparative data for ten categories in Florida, Illinois, Michigan, New York, and Texas: Licensee Population between 1994-2003; Licensing and Examination National Comparison Summary for License Population; Staffing Levels; Monthly Application Volume; Original License Requirements; Fees; Processing Time Factors; Examinations; Online Services; and Telephones. However, only the first comparison shows any California data, indicating that, for all years except 1997 and 1998, California had a greater licensee population. The remaining comparisons list only the data for the other states, and have such detailed and diverse information that a summary here is not advisable.

#### **B. Subdivisions**

Shows a national comparison for Regulation of Subdivided Lands, but does not include California in the comparison. The national comparison breaks down the Regulation of Subdivided Lands into the following categories: Registration Requirements; Types of Subdivisions Regulated; Processing Timeframes; and Application Volume and Processing Timeframe Statistics for the 5 states listed above, plus Arizona and Nevada. As is the case for the Licensing and Examinations section, the information for the other states has such detailed and diverse information that it is better to read the tables than to try to summarize.

#### **C. Enforcement**

Four benchmarks with the states of Florida, Illinois, Michigan, New York, and Texas.

1. Licensee Populations compares the populations for 1994-2003, and shows that California's population has fluctuated between 297,359 and 353,903, and was the highest, except for 1997 and 1998, when Florida's was highest. Overall,



Florida's licensee population was second to California's, ranging between 213,717 and 331,044. For all states except Michigan, the licensee population was lower in 2003 than it was in 1994.

2. Cases Opened compares the cases opened between 1994 and 2003 and shows that California went from 8,521-9,746 between 1994 and 1996, and from 2,835 in 1997 to 5,095 in 2003, with Florida having more cases opened than California in 1997 through 2002. The DRE notes that after 1996, California stopped including consumer complaints that were not set up for investigation in the "files opened" count. This explains the large (6,911 cases) decrease in the number of cases from 1996 to 1997.
3. Cases Closed without Disciplinary Action only provides annual data for the states of California, Florida, and Texas between 1997 and 2003. California and Florida were fairly even in the numbers of cases closed, with Texas usually closing about half as many. Without some analysis, *i.e.*, percentage of total cases, etc., these numbers are not very helpful.
4. Disciplinary Action reports numbers for only some of the states for some of the years 1994-2003. Only California and Texas provide the number of actions for every year and California frequently had 4 to 5 times as many as Texas. Without some analysis, *i.e.*, percentage of total cases, *etc.*, these numbers are not very helpful.

#### D. Information Technology

There are no standards or benchmarks with other states.

### IV. Department Website (<http://www.dre.gov>)

#### A. Online services offered

DRE's website provides background on DRE, access to downloadable DRE forms, public access to an online "License Status Check" database for confirming the licensed status of real estate salespersons and brokers, entry to DRE's eLicensing system (online real estate license renewal and change transactions now used by more than 30 percent of licensees) online examination scheduling, test results, education materials and related course offerings, online access to Real Estate Law compliance handbooks and other DRE bulletins and publications, news and updates, public notices and press releases, grant solicitations and information, statistics, frequently asked questions, links and educational materials.

# **BUSINESS, TRANSPORTATION & HOUSING AGENCY**

*Department of Real Estate Overview*

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